

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

BROCADE COMMUNICATIONS SYSTEMS,)	Case No.: C 10-3428 PSG
INC., ET AL.,)	
Plaintiffs,)	ORDER RE A10 NETWORKS'
v.)	MOTION FOR JUDGMENT AS A
A10 NETWORKS, INC., ET AL.,)	MATTER OF LAW UNDER FED. R.
Defendants.)	CIV. P. 50(B) AND ALTERNATIVE
	MOTION FOR A NEW TRIAL
	UNDER FED. R. CIV. P. 59.
	(Re: Docket No. 775)

In this patent infringement suit, a jury found that Defendants A10 Networks, Inc., et al, (“A10”) infringed patents and copyright owned by Plaintiffs Brocade Communications Systems, Inc., et al, (“Brocade”), that A10 misappropriated Brocade’s trade secrets, and that A10 and Defendant Lee Chen (“Chen”) intentionally interfered with a contract between Brocade and one of its employees. A10 now renews its motion for judgment as a matter of law (“JMOL”) under Fed. R. Civ. P. 50(b) and argues various flaws with the jury’s verdict. A10 alternatively seeks a new trial under Fed. R. Civ. P. 59. Unsurprisingly, Brocade opposes.

Having considered the parties’ papers and oral arguments, the court GRANTS-IN-PART and DENIES-IN-PART A10’s motion.

I. BACKGROUND

Because a detailed explanation of the background of this case has been provided in other orders,¹ the court provides here only a summary of the facts and procedural background relevant to A10's motion.

A10's founder, Chen, used to work for co-plaintiff Foundry Networks, LLC ("Foundry"). After acquiring Foundry, Brocade brought suit against A10, Chen, and several other individuals for patent and copyright infringement, trade secret misappropriation, breach of contract, and intentional interference with contract.² After a three-week trial, the jury found A10 infringed four claims from three of Brocade's patents³: (1) claim 25 of U.S. Patent No. 7,454,500 ("500 Patent"); (2) claim 13 of U.S. Patent No. 7,581,009 ("009 Patent"); (3) claim 24 of the '009 Patent; and (4) claim 1 of U.S. Patent No. 7,558,195 ("195 Patent"). The '500 Patent and the '009 Patent involve apparatuses that improve the performance of Global Server Load Balancing ("GSLB").⁴ The '500 Patent describes a database "configured to store round trip time data for a plurality of host server site switches."⁵ The '009 Patent describes a GSLB system and claims an adaptation to an existing GSLB system that, among other things, orders network addresses "based upon a first set of performance metrics from the stored performance metrics" and to "reorder one or more network addresses from the plurality of network addresses based upon a second set of performance metrics from the stored performance metrics."⁶ The '195 Patent is also an apparatus patent that describes

¹ See Docket Nos. 434, 438.

² See Docket No. 85.

³ See Docket No. 771.

⁴ See Docket No. 776 Exs. I, AA.

⁵ See *id.* Ex. I.

⁶ See *id.* Ex. AA.

“systems and methods for providing route redundancy across Layer 2 devices, as well as selected ports on L2 devices.”⁷

The jury found Brocade failed to prove A10’s infringement was willful or that it induced infringement.⁸ As to patent damages, the jury made the following findings⁹:

If you have found any of the foregoing claims infringed, what damages do you find Brocade has proven it is more probable than not it has suffered as a result of that infringement?

1. Lost Profits: \$ 49,397,904
2. Reasonable Royalty
 - a. rate: 4%
 - b. total royalty damages: \$ 1,975,916
3. Total Damages: \$ 1,975,916

Brocade also accused A10 of infringing copyrighted code that implements the Aho-Corasick public domain algorithm (“AC Code”).¹⁰ At issue was 145 lines of AC Code that Brocade claimed A10 directly infringed and intermediately copied.¹¹ The jury found that A10 had engaged in direct copyright infringement with respect to the 145 lines of code up to and including July 2011, but not after A10 rewrote the code in July and early August 2011.¹² The jury also found

⁷ See *id.* Ex. M.

⁸ See Docket No. 771.

⁹ See *id.*

¹⁰ See Docket No. 85.

¹¹ See Docket No. 85; Docket No. 692 at 968:2-3; Docket No. 690 at 585:16-25.

¹² See Docket No. 771.

A10's infringement was not willful and rejected Brocade's intermediate copying theory.¹³ The jury awarded Brocade \$60,000,000 in damages for the direct infringement.¹⁴

Of the twenty trade secrets for which Brocade originally brought claims, four of the claims went to trial.¹⁵ Trade Secret 5 ("TS 5") and Trade Secret 10 ("TS 10") relate to software optimization.¹⁶ Trade Secret 8 ("TS 8") involves high availability ("HA"), and Trade Secret 11 ("TS 11") involves hardware optimization.¹⁷ The jury found A10 misappropriated the four trade secrets and awarded Brocade damages of \$1.00.¹⁸ The jury found Brocade had not proven any of the individuals misappropriated trade secrets, and that A10 had not proven the statute of limitations barred any of Brocade's claims.¹⁹

Brocade brought a claim against Chen for breach of a Proprietary Information and Inventions Agreement with Foundry.²⁰ The jury found Brocade had not proven Chen had breached the agreement.²¹ It did find, however, that Chen and A10 had intentionally interfered with a similar agreement between Foundry and Zhenwu He.²² The jury awarded \$1.00 in actual damages and \$500,000 in punitive damages against both Chen and A10.²³

¹³ *See id.*

¹⁴ *See id.*

¹⁵ *See* Docket No. 571; Docket No. 771.

¹⁶ *See* Trial Ex. 1041.

¹⁷ *See* Docket No. 512 Ex. 18.

¹⁸ *See* Docket No. 771.

¹⁹ *See id.*

²⁰ *See* Docket No. 85.

²¹ *See* Docket No. 771.

²² *See id.*

²³ *See id.*

A10 now renews its motion for judgment as a matter of law (“JMOL”) under Fed. R. Civ. P. 50(b), arguing that the jury’s findings against A10 and Chen were not supported by substantial evidence.²⁴ It also moves, in the alternative, for a new trial pursuant to Fed. R. Civ. P. 59. Brocade opposes the motion and asserts that ample evidence supports the verdict.²⁵

II. LEGAL STANDARDS

Fed. R. Civ. P. 50(b) provides that, upon a renewed motion for judgment as a matter of law, the court may: (1) “allow judgment on the verdict, if the jury returned a verdict,” (2) “order a new trial,” or (3) “direct the entry of judgment as a matter of law.” To grant a Rule 50(b) motion, the court must determine that “the evidence, construed in the light most favorable to the nonmoving party, permits only one reasonable conclusion, and that conclusion is contrary to the jury’s.”²⁶ In other words, to set aside the verdict, there must be an absence of “substantial evidence” – meaning “relevant evidence that a reasonable mind would accept as adequate to support a conclusion” – to support the jury’s verdict.²⁷ It is the moving party’s burden to make that showing.²⁸

Fed. R. Civ. P. 59 states that the court “may, on motion, grant a new trial on all or some of the issues.” “[T]he trial court may grant a new trial, even though the verdict is supported by substantial evidence, if ‘the verdict is contrary to the clear weight of the evidence or is based upon evidence which is false, or to prevent, in the sound discretion of the trial court, a miscarriage of justice.’”²⁹

²⁴ See Docket No. 807. A10 moved for JMOL under Fed. R. Civ. P. 50(a) before the close of trial. See Docket No. 775.

²⁵ See Docket No. 795.

²⁶ *Callicrate v. Wadsworth Mfg.*, 427 F.3d 1361, 1366 (Fed. Cir. 2005) (quoting *Pavao v. Pagay*, 307 F.3d 915, 918 (9th Cir. 2002)).

²⁷ See *id.*

²⁸ See *id.*

III. DISCUSSION

A10 raises several challenges to the jury's verdict, essentially arguing that Brocade failed to prove its claims.³⁰ Brocade opposes and asserts that it produced substantial evidence for each claim on which it prevailed.³¹ The court addresses each argument in turn.

A. Copyright Claim

A10 argues that Brocade failed to meet its burden of proof for Brocade's claim that A10 infringed 145 lines of copyrighted AC Code. A10 challenges three elements of the jury's findings: (1) that Brocade's copyright registrations covered the lines of code they claim were infringed so that the code could be presumed to be protectable expression; (2) that the 145 lines of code were in any event protectable expression; and (3) that substantial evidence supports the jury's award of \$60,000,000 in damages.

1. Brocade's Copyright Registration

A10 contends that Brocade failed to present substantial evidence that the lines of code Brocade claimed A10 infringed were protectable expression subject to the Copyright Act. According to A10, Brocade impermissibly relied exclusively on the presumption of protectable expression provided by 17 U.S.C. § 410(c) for registered copyrighted expression. A10 asserts that Brocade's registrations do not cover the 145 lines of code and so Brocade's reliance on the presumption was improper. A10 also argues that Brocade had an obligation to prove that the code was protectable, which it failed to do.

²⁹ *Wordtech Sys. v. Integrated Networks Solutions, Inc.*, 609 F.3d 1308, 1313 (Fed. Cir. 2010) (quoting *United States v. 4.0 Acres of Land*, 175 F.3d 1133, 1139 (9th Cir. 1999)).

³⁰ Unless otherwise noted, the court takes A10's arguments from its renewed motion for judgment as a matter of law. *See* Docket No. 775.

³¹ Unless otherwise noted, the court takes Brocade's arguments from its opposition to A10's JMOL motion. *See* Docket No. 795.

1 The court first discusses A10's argument regarding the coverage of Brocade's copyright
2 registration. A brief history of the Brocade's copyright claims is necessary to understand A10's
3 theory. In an earlier stage of this case, Brocade opted to proceed with its copyright claims on two
4 copyright registrations,³² for ServerIron 9100 and 9200, which are derivative work registrations.³³
5 The code in ServerIron 9100 and 9200 that Brocade claimed A10 infringed is part of code
6 registered in BigIron 7604 and 7605.³⁴ The BigIron registrations are the original work registrations
7 on which the ServerIron derivative work registrations are based.³⁵ Brocade did not pursue at this
8 stage of the case claims of infringement of the code in the BigIron 7604 and 7605 registrations.
9 Because the ServerIron 9100 and 9200 registrations are derivative, those registrations exclude
10 "previously created computer code."³⁶

12 A10 argues that because the ServerIron registrations exclude "previously created computer
13 code," those registrations do not protect code in the BigIron original work registrations. According
14 to A10, because Brocade claimed A10 infringed code covered by the BigIron registrations but
15 pursued the ServerIron registrations instead, Brocade could not rely on the ServerIron registrations
16 for the presumption of validity provided by the Copyright Act.

18 Brocade's responds that the ServerIron 9100 and 9200 registrations incorporate protection
19 of the BigIron 7604 and 7605 code by virtue of the ServerIron codes' status as derivative works.
20 Because Brocade owns both the original copyright – the BigIron registrations – and the derivative
21 copyrights – the ServerIron registrations – Brocade asserts that it is entitled to use either its original
22

23 ³² See Docket No. 565.

24 ³³ See Docket No. 776 Ex. D.

25 ³⁴ See Docket No. 682 at 233-35.

26 ³⁵ See *id.*

27 ³⁶ See Docket No. 776 Ex. D.

work registration or its derivative work registration to support its claim of infringement of code that appears in all of the products covered by the various registrations.

In cases where the owner of the derivative work and the owner of the original work are different, the Ninth Circuit³⁷ has plainly stated that protection under the Copyright Act for a derivative work is limited to derivative work's original elements and does not extend to components it shares with the underlying copyrighted work.³⁸ The bounds of the original work dictate the scope of the protection of the derivative work.³⁹ In essence, protection of a derivative work cannot prevent the owner of the original work from offering her copyrighted material to others to copy.⁴⁰ In other words, protection of the derivative work cannot interfere with the rights of the original copyright owner, and so the owner of a derivative work registration cannot claim to protect the original work through the derivative registration.

But here Brocade is the owner of both the original and the derivative works, and so the court must consider whether the Ninth Circuit's limitation still applies. Neither of the parties has provided, and the court likewise has not found, any Ninth Circuit cases dealing with this issue. But other circuits have considered the scope of protection for derivative works when the owner of the derivative work and the owner of the original work are the same.

³⁷ Even though an appeal of the issues would presumably be made to the Federal Circuit in light of Brocade's patent claims and 28 U.S.C. § 1292(c)(1), the Federal Circuit itself "looks to the interpretive law of the regional circuit for issues not exclusively assigned to" it. *See Jacobsen v. Katzer*, 535 F.3d 1373, 1377-78 (Fed. Cir. 2008).

³⁸ *See Russell v. Price*, 612 F.2d 1123, 1128 (9th Cir. 1979) ("Thus, we reaffirm, without finding it necessary to repeat the rationale, the well-established doctrine that a derivative copyright protects only the new material contained in the derivative work, not the matter derived from the underlying work."); *see also* 17 U.S.C. § 103(b).

³⁹ *See Entm't Research Group Inc. v. Genesis Creative Group Inc.*, 122 F.3d 1211, 1220 (9th Cir. 1997).

⁴⁰ *See id.*

In *Streetwise Maps, Inc. v. VanDam, Inc.*,⁴¹ the Second Circuit considered whether the owner of a common-law, unregistered copyright of a map of New York could pursue an infringement action solely based on its registration of a derivative version of the map.⁴² The court determined that the owner of the original work could rely on its registration of the derivative work to assert its infringement action of the original work.⁴³

In *Christopher Phelps & Assocs. v. Galloway*,⁴⁴ a Fourth Circuit case, the plaintiff had designed a floor plan but had not registered its copyright in the plan.⁴⁵ The plaintiff subsequently registered a derivative design and on that registration pursued an infringement action against the defendant.⁴⁶ In rejecting the defendant's argument that the plaintiff could not rely on its derivative work registration to pursue a claim of infringement of the original plan, the Fourth Circuit noted that "when the author of a derivative work *also* has a copyright on the underlying work, there is no need to protect the public domain or the author of the underlying work, as the entire work is that of the single author."⁴⁷ Because the policies underlying the need to distinguish a derivative work from an original work do not apply when the owner of both works is the same, the court found that

⁴¹ 159 F.3d 739 (2d Cir. 1998).

⁴² *See id.*

⁴³ *See id.* at 747; *see also Bespaq Corp. v. Haoshen Trading Co.*, Case No. C 04-3698 PJH, 2005 WL 14841, at *2 (N.D. Cal. Jan. 3, 2005) ("While the Ninth Circuit has not decided this issue, the Second Circuit has determined that in general, a registered copyright in a derivative work . . . necessarily encompasses all the original works within the derivative work, if the owner of the copyright in the derivative work also holds all ownership rights in the original works upon which the derivative works are based."); *but see Shaw v. Lindheim*, 809 F. Supp. 1393, 1404 (C.D. Cal. 1993) (finding that "to the extent plaintiff's script contains elements of protectable expression that first appeared in the underlying work . . . the script does not enjoy independent copyright protection and plaintiff cannot recover for infringement of those aspects in this action, in light of the script's registered 'derivative work' status").

⁴⁴ 492 F.3d 532 (4th Cir. 2007).

⁴⁵ *See id.*

⁴⁶ *See id.*

⁴⁷ *Id.* at 538.

the plaintiff could pursue infringement for its entire work based solely on its derivative work registration.⁴⁸

The court finds the reasoning in *Christopher Phelps* and *Streetwise* persuasive. Brocade owns the registration for both of the copyrighted works and so allowing it to rely on the derivative work registration to enforce its rights in the original work does not encroach on the rights of another owner. Brocade's reliance was therefore proper.

2. Protectability of the Code

Having determined that Brocade properly relied on its ServerIron copyright registrations to establish a presumption of validity for the code in the BigIron registration, the court turns to A10's argument that Brocade in any event failed to prove that the 145 lines at issue are protectable.

Under the Copyright Act, registration creates a presumption of validity of the copyright.⁴⁹ And, as the court already discussed, Brocade permissibly relied on its derivative ServerIron registration to raise that presumption for the code protected in the original BigIron registration referenced in the ServerIron registration.

Validity of the copyright, however, does not establish infringement.⁵⁰ Infringement requires proof of copying of protectable material.⁵¹ There is no dispute that A10 copied the implementing code.⁵² A10 asserts instead that Brocade failed to establish that the parts of the code A10 copied are protectable. Brocade's ServerIron copyrights – and through incorporation the

⁴⁸ See *id.*

⁴⁹ See 17 U.S.C. § 410(c); *United Fabrics Int'l v. C&J Wear, Inc.*, 630 F.3d 1255, 1257 (9th Cir. 2011).

⁵⁰ See *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 362 (1991).

⁵¹ See *id.*; *Swirsky v. Carey*, 376 F.3d 841, 844 (9th Cir. 2004).

⁵² See Docket No. 692 at 968:2-3.

BigIron copyrights – protect the entire software program.⁵³ A10 argues that, in light of the utilitarian character of software code,⁵⁴ Brocade had to show the 145 lines of code were expressive and not functional. By finding A10 liable for copyright infringement, the jury implicitly determined that Brocade had shown that the 145 lines of code were expressive, protected, and infringed by A10's copying.⁵⁵

A10 challenges the sufficiency of the evidence supporting the jury's verdict. A10 specifically argues that its expert David Klausner (“Klausner”) testified that the AC Code “dictated the structure, sequence, and organization” of the 145 lines of code implementing the AC Code, which according to A10 means the implementing code could not be expressive.⁵⁶ Brocade, however, provided Mani Kancharla (“Kancharla”), a Foundry employee who testified that the 145 lines were only one of many ways to write the code.⁵⁷ The availability of other formulations supports a claim of expressiveness and thereby protectability.⁵⁸ Kancharla also testified about macros in the code that the AC algorithm did not dictate.⁵⁹ Brocade also produced Robert Zeidman (“Zeidman”), a source code expert who testified that he had filtered the functional and public domain features of the 145 lines of code and that the 145 lines contained expressive, protectable code.⁶⁰ These witnesses provide substantial evidence from which the jury could determine that Brocade's 145 lines of code were expressive and not functional.

⁵³ See Docket No. 776 Ex. D.

⁵⁴ See *Sega Enters. v. Accolade, Inc.*, 977 F.2d 1510, 1524 (9th Cir. 1992).

⁵⁵ See Docket No. 760 at 2771:4-8.

⁵⁶ See Docket No. 760 at 2771:4-8.

⁵⁷ See Docket No. 690 at 599:6-22.

⁵⁸ See *Apple Computer, Inc. v. Formula Intern. Inc.*, 725 F.2d 521, 525 (9th Cir. 1984) *abrogated on other grounds by Perfect 10, Inc. v. Google, Inc.*, 653 F.3d 976, 979 (9th Cir. 2011).

⁵⁹ See Docket No. 690 at 598:9-12.

1 To save its argument, A10 highlights that the AC algorithm, which is within the public
2 domain, mandates certain features of any implementing code. A10 concludes that any parts of the
3 145 lines of AC Code that were required by the AC algorithm therefore are also in the public
4 domain. According to A10, Brocade had to filter the parts of the 145 lines mandated by the AC
5 algorithm because they fell in the public domain, and Brocade failed to do so. But A10 provides
6 no case law supporting its argument. A10's argument also fails logically. It may be true that the
7 AC algorithm is in the public domain and it may also be true that the algorithm mandates certain
8 features of any implementing code.⁶¹ But those two facts do not require the conclusion that any
9 features the AC algorithm requires in implementing code – such as the 145 lines at issue here – are
10 necessarily within the public domain. Copyright can and does protect creative expression even of
11 features that are themselves unprotectable.⁶²

13 A10's motion for judgment as a matter of law on copyright infringement is DENIED.

14 **3. Damages**

15 A10 challenges the jury's award of \$60 million to Brocade for damages from the copyright
16 infringement of the AC Code implementation. A10 asserts that “uncontroverted evidence”
17 established profits from the AX product – in which the infringing code was found – was a much
18 lower amount than the \$60 million award. A10 further contends that the jury failed to apportion
19 the amount attributable to the infringing code from the profits of the entire product.

21 **a. Statutory Framework**

22 Section 504(b) of the Copyright Act provides the framework by which copyright owners
23 may recover damages from an infringer:
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25 ⁶⁰ See Docket No. 711 at 1966:19 – 1967:20.

26 ⁶¹ See Docket No. 690 at 599:6-22.

27 ⁶² See *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 362 (1991) (noting that copyright
28 protection extends to selection, coordination, or arrangement of uncopyrightable facts in an original way).

The copyright owner is entitled to recover the actual damages suffered by him or her as a result of the infringement, and any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages. In establishing the infringer's profits, the copyright owner is required to present proof only of the infringer's gross revenue, and the infringer is required to prove his or her deductible expenses and the elements of profit attributable to factors other than the copyrighted work.⁶³

Brocade thus had the burden to show A10's gross revenues from the infringing product.⁶⁴ At that point the burden shifted to A10 to prove the amount of its deductible expenses and how the profits should be apportioned between infringing and non-infringing parts of the product.⁶⁵

A10 suggests that the proper inquiry for damages under Section 504(b) resembles the damages inquiry in patent law, namely that Brocade had an obligation to show that the 145 lines of code drove consumer demand of A10's products.⁶⁶ A10, however, overstates the standard.⁶⁷ The Ninth Circuit instructs that "a copyright plaintiff is bound to no more and no less than its statutory obligation to demonstrate a causal nexus between the infringement and the profits sought."⁶⁸ That causal nexus mirrors the causation element in tort law.⁶⁹ In other words, Brocade's burden was only to provide non-speculative evidence that but for the 145 lines of infringing code A10 would

⁶³ 17 U.S.C. § 504(b).

⁶⁴ See *Polar Bear Prod., Inc. v. Timex Corp.*, 384 F.3d 700, 708 (9th Cir. 2004).

⁶⁵ See *id.*

⁶⁶ See Docket No. 775 at 7 n.7 (citing *LaserDynamics, Inc. v. Quanta Computer, Inc.*, No. 2011-1440, -1470 (Fed. Cir. Aug. 30, 2012)).

⁶⁷ To support its argument, A10 cites several cases where the Ninth Circuit or the Supreme Court has condoned apportionment of profits so the plaintiff receives only the part of the profit stemming from the infringement. See, e.g., *Sheldon v. Metro-Goldwyn Pictures Corp.*, 309 U.S. 390, 400 (1940); *Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc.*, 772 F.2d 505, 518 (9th Cir. 1985); *Cream Records, Inc. v. Jos. Schlitz Brewing Co.*, 754 F.2d 826, 828-29 (9th Cir. 1985). But none of these cases suggests that the burden shifts from the defendant to the plaintiff to show apportionment. Unlike in patent law, where a plaintiff has the burden to show the patented feature drives consumer demand if the plaintiff wants to use the entire market value rule exception, see *LaserDynamics, Inc.*, No. 2011-1440, -1470, the Copyright Act plainly states that apportionment is the defendant's burden, see 17 U.S.C. § 504(b) and *Polar Bear*, 384 F.3d at 712.

⁶⁸ *Polar Bear*, 384 F.3d at 712.

⁶⁹ See *id.* at 708.

not have received the profits from the product in which it used the infringing code.⁷⁰ If Brocade established the initial causal nexus it satisfied its burden, leaving A10 obligated to prove how the profits Brocade identified should be apportioned between infringing and noninfringing features.⁷¹

b. Substantial Evidence

Even if Brocade need only have shown but for causation, A10 argues that, because A10 created and implemented non-infringing work-around code, Brocade fell short. According to A10, because it could replace the infringing code with non-infringing code and maintain its sales, the infringing code was not necessary for its sales. It further asserts that to the extent the infringing code was necessary for A10's product to work, only the code's functional features – rather than its original expressive qualities – were necessary. As A10 sees it, because copyright protects only original expression and any original expression was unnecessary for A10's products to perform, Brocade failed to establish that the copyrightable portions of the code drove A10's profits.

At trial, Brocade produced Kancharla and Zeidman who both testified that the 145 lines of code implementing the AC algorithm were essential to A10's AX product. Kancharla testified that the implementing code was used millions of times per second during the operation of the software⁷² and that the code was important to a popular feature of Brocade's GSLB software.⁷³ Zeidman testified that the AC Code was necessary for the rest of the product's code to work.⁷⁴ Zeidman and Kancharla both explained that other forms of implementing code were available,⁷⁵ and Kancharla testified that Brocade developed the 145 lines of code to improve the performance

⁷⁰ See *id.*; *Mackie v. Rieser*, 296 F.3d 909, 915-16 (9th Cir. 2002).

⁷¹ See *Polar Bear*, 384 F.3d at 712-13.

⁷² See Docket No. 690 at 600:14-25.

⁷³ See *id.* at 600:3-13.

⁷⁴ See Docket No. 711 at 1817:21-25, 1819:4-23.

⁷⁵ See *id.* at 1814:2-13; Docket No. 690 at 588:19-25.

1 of its products.⁷⁶ From this evidence, the jury reasonably could reach the conclusion that A10's
 2 profits were tied to its infringement of Brocade's copyrighted lines of code. Brocade thus satisfied
 3 its obligation to show a causal nexus between the infringement and the profits it sought.

4 Having satisfied its obligation, Brocade's only further burden was to produce evidence
 5 showing A10's gross revenues from the product,⁷⁷ which it did. The burden then shifted to A10 to
 6 apportion that gross revenue between profit and expenses and among infringing and non-infringing
 7 features of the product was A10's.⁷⁸ A10 produced Elizabeth Dean ("Dean"), an expert who
 8 testified that A10's profits from the product in which the infringing code was included was \$13
 9 million dollars.⁷⁹ She further asserted that, rather than apportion the profits, Brocade should
 10 properly collect only the amount A10 saved by copying the code instead of generating the code on
 11 its own.⁸⁰ Dean opined that an engineer would need about a week to develop a comparable, non-
 12 infringing code, and so A10's advantage from infringing - and the appropriate amount of damages -
 13 was between \$1,575 and \$6,703, the cost of devoting an engineer to developing a non-infringing
 14 form of the code.⁸¹

15
 16
 17 If this were the only evidence in the record regarding apportionment, the jury's conclusion
 18 might reasonably be questioned. But despite not being required to provide any further evidence of
 19 apportionment, Brocade produced James Malackowski ("Malackowski"), an expert who rebutted
 20 Dean's testimony on the subject. Malackowski testified that A10's revenues from the AX product
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 23 ⁷⁶ See Docket No. 690 at 733:2 – 734:1.

24 ⁷⁷ See *Polar Bear*, 384 F.3d at 712.

25 ⁷⁸ See *id.*

26 ⁷⁹ See Docket No. 763 at 3039:9-11.

27 ⁸⁰ See *id.* at 3040:8-14.

28 ⁸¹ See *id.* at 3041:8 – 3042:21.

were \$113 million and after subtracting the proper expenses A10's profits were \$93 million.⁸² On cross-examination, Malackowski opined that because of the essentiality of the infringing code to the product, the entire profits were subject to disgorgement.⁸³ A10 challenges Malackowski's testimony on the grounds that he failed to explain his methods and that he calculated A10's profits until December 2011 but the jury exonerated A10 of any infringement claims after July 2011. But Malackowski did provide an overview of his methods of calculation. He explained that he subtracted A10's operating expenses and sales commissions to arrive at the \$93 million number.⁸⁴ As to A10's argument regarding Malackowski's inclusion of five months of profits for which A10 was found not liable for infringement and its argument that the jury failed to perform its duty to apportion, the jury did not award Brocade the entire amount that Malackowski identified. In its award, the jury subtracted about one-third – or \$33 million – of the total amount Malackowski presented.⁸⁵ And the amount is within the range between the two parties' experts: \$13 million from Dean and \$93 million from Malackowski. This all amounted to substantial evidence to support the jury's verdict.

c. De Minimis Use

Finally, A10 argues that “because any relevant expression within the 145 lines of code was negligible as compared to the registered code . . . the jury should have been instructed on the law of de minimis use, which could have led it to award zero damages for copyright infringement.”⁸⁶ In other words, A10 suggests that the de minimis use doctrine may serve – in fact, should have served – as a limitation on the jury's damages award.

⁸² See Docket No. 758 at 2384:8-11.

⁸³ See *id.* at 2389:23-24.

⁸⁴ See *id.* at 2384:8-11.

⁸⁵ See Docket No. 771.

⁸⁶ See Docket No. 775.

The Ninth Circuit has been unclear about whether the de minimis use doctrine serves as an affirmative defense under the Copyright Act's fair use exceptions or whether the doctrine merely highlights plaintiffs' obligation to show that "the use must be significant enough to constitute infringement."⁸⁷ But the court has not found a case, and A10 does not cite to any, where the de minimis doctrine was applied to limit damages rather than to avoid liability or puncture a prima facie case of infringement.⁸⁸ In light of the de minimis doctrine's history within the boundaries of the issue of liability,⁸⁹ the court declines A10's invitation to extend its application to limiting damages.

To the extent A10 seeks now to employ the de minimis doctrine as an affirmative defense, as it suggested at earlier stages of this case, it failed to raise de minimis use as an affirmative defense, fair use or otherwise, in its answer to Brocade's third amended complaint.⁹⁰ "In responding to a pleading, a party must affirmatively state any avoidance or affirmative defense."⁹¹ A10's earlier failure to raise the defense in its answer generally acts as a waiver and prevents it

⁸⁷ Compare *Newton v. Diamond*, 388 F.3d 1189, 1193 (9th Cir. 2003) (holding use of three note sample was not sufficiently substantial and was de minimis and so defendants' use was not actionable) with *Norse v. Henry Holt & Co.*, 991 F.2d 563, 566 (9th Cir. 1993) (holding that "[t]he question of whether a copying is substantial enough to be actionable may be best resolved through the fair use doctrine").

⁸⁸ See Nimmer on Copyright, § 8.01 ("It appears, therefore, that among the several potential meanings of the term de minimis, that defense should be limited largely to its role in determining either substantial similarity or fair use.").

⁸⁹ See *Newton*, 388 F.3d at 1192-93; *Ringgold v. Black Entm't Television, Inc.*, 126 F.3d 70, 74-76 (2d Cir. 1997).

⁹⁰ See Docket No. 92.

⁹¹ Fed. R. Civ. P. 8(c).

1 from employing the affirmative defense either at trial or in this motion.⁹² And the court earlier
 2 rejected A10's attempt to assert the doctrine as a defense at the summary judgment stage.⁹³

3 Even if the de minimis use doctrine is considered more properly as a threshold for Brocade
 4 to show that A10's copying was actionable under the Copyright Act, Brocade met that threshold.
 5 The proper inquiry for determining de minimis use is the relation of the infringing component "to
 6 the plaintiff's work as a whole."⁹⁴ Although A10 points to the ratio between the 145 lines of
 7 infringing code and the 10 million lines of code in Brocade's product, that ratio fails to account for
 8 the evidence suggesting the importance of the implementing code to Brocade's software.⁹⁵ As the
 9 court already noted, Mancherla testified that the implementing code in Brocade's products
 10 performed millions of operations per second and Zeidman testified that the 145 lines of code were
 11 necessary for Brocade's products to operate. Brocade, therefore, provided substantial evidence that
 12 A10's actions exceeded merely de minimis copying of the code.
 13

14 Brocade produced substantial evidence from which the jury could reasonably conclude that
 15 Brocade was entitled to \$60 million in damages. A10's motion for judgment as a matter of law on
 16 the copyright damages is DENIED.
 17

18 **B. Patent Claims**

19 A10 challenges both the jury's determination that it directly infringed Brocade's patents
 20 and the jury's award of damages to Brocade for that infringement. The court considers first the
 21 liability argument and then turns to the damages issue.
 22

23
 24 ⁹² See *Simmons v. Navajo Cnty.*, 609 F.3d 1011, 1023 (9th Cir. 2010).

25 ⁹³ See Docket No. 571; see also *Simmons*, 609 F.3d at 1023 ("Although Rule 8 requires affirmative
 26 defenses to be included in responsive pleadings, absent prejudice to the plaintiff, the district court
 has discretion to allow a defendant to plead an affirmative defense in a subsequent motion.").

27 ⁹⁴ See *Newton*, 388 F.3d at 1195.

28 ⁹⁵ See *Norse*, 991 F.2d at 566 (noting that "even a small taking may sometimes be actionable").

1. Infringement

A10 challenges the jury's verdict finding it directly infringed claims in the '500 Patent, the '009 Patent, and the '195 Patent. A10 argues that Brocade failed to produce any evidence that A10 in fact infringed Brocade's patents and instead supports only a finding that A10 created a product capable of infringement.

To support its argument A10 points to language in all three of the patents that A10 argues reflects a requirement that the apparatuses be "configured to" or "adapted to" perform the patented software. The relevant part of claim 25 of the '500 Patent states:

A load balancing switch comprising: a database *configured to* store round trip time data for a plurality of host server site switches . . . and a module *configured to* order a plurality of network addresses⁹⁶

The relevant part of claim 1 of the '195 Patent states:

A switch for use in a system of switches, the system of switches acting as a virtual switch, the switch comprising: a memory; and a plurality of ports, each for communicatively coupling the switch to a Layer 2 network, wherein the switch is *configured to* act in concert with one or more other switches in the system of switches to provide route redundancy for the Layer 2 network, and wherein the switch is *configured to* communicate its status to the one or more other switches by transmitting, via at least one of the plurality of ports, redundancy control packets for flooding throughout the Layer 2 network.⁹⁷

The relevant part of claims 13 and 24 of the '009 Patent state:

Claim 13: A system for performing load balancing, the system comprising: a load balancing switch *configured to* store performance metrics for a plurality of site switches, each site switch associated with one or more host servers, wherein the one or more host servers associated with a site switch are reachable via the site switch using a virtual address configured at the site switch, the stored performance metrics comprising one or more metrics related to the one or more host servers; wherein the load balancing switch is further *configured to*: store a plurality of network addresses generated in response to a domain name query⁹⁸

⁹⁶ See Docket No. 776 Ex. I.

⁹⁷ See *id.* Ex. M.

⁹⁸ See *id.* Ex. AA.

Claim 24: A system for performing load balancing, the system comprising: a load balancing switch *adapted to* store performance metrics for a first site switch and a second site switch . . . store a plurality of network addresses generated in response to a domain name query, and order the plurality of network addresses . . . wherein the load balancing switch is *adapted to* order the plurality of network addresses using at least one of round trip time information associated with the first and second switches⁹⁹

A10 argues that the various claims require a user to configure the underlying system, switch, or database to perform the infringing functions. In contrast to Brocade's claims, A10 claims that it designed its AX products with the capability to perform the functions protected by Brocade's patents, but users who purchase the AX product must activate the functions. According to A10, AX does not infringe Brocade's patents until the customers activate - or "configure" the product to perform - the infringing functions. A10 contends that as a result Brocade was obligated, but failed, to produce evidence that customers or A10 itself actually configured the AX product in the infringing manner.

Brocade responds that A10's interpretation of the "configured to" language is too narrow. Brocade asserts that instead of requiring that the database, system, or switch actually be configured to perform the infringing functions, the patents require only that the described apparatuses be "capable of" or "adapted to" performing those functions. According to Brocade, it provided substantial evidence that A10 infringed the patents as required under its interpretation by showing A10 designed the AX product with infringing capability.

From Brocade's perspective, A10 impermissibly seeks to construct the term "configured to" to mean "configured by users to," an argument it should have raised during claim construction and cannot use now to overturn the jury's verdict. Brocade argues in the alternative that even if the court adopts A10's "legally erroneous" argument, it produced substantial evidence that A10 in fact tested or configured the AX product in the infringing manner.

⁹⁹ See *id.*

Before it can reach A10's argument regarding substantial evidence, the court first must resolve which interpretation of the patent is correct to ascertain what evidence Brocade had to produce.

a. Scope of the Patents

Although Brocade accurately recounts that A10 declined on two separate occasions to secure a construction of “configured to” or “adapted to” that includes a requirement that the user must configure the patent,¹⁰⁰ the court will in its discretion nevertheless consider the issue now. A10's failure to seek construction of the terms is not fatal to its argument.

Brocade and A10 disagree about whether the terms “configured to” and “adapted to” require any further steps by a user or whether capability is enough. In other words, Brocade argues that “configured to” means only that the software is capable of performing the infringing features, such that users’ actions after purchase – namely, whether they enable the infringing features or not – is irrelevant. A10, on the other hand, believes the terms require that the users enable the features for the product to be infringing; A10’s addition of potential infringing features, without user activation, is insufficient.

Brocade is right, but not for the reasons it argues. Brocade’s attempt to expand the definition of “configured to” and “adapted to” to mean broadly “capable of” fares poorly. It relies on *Aspex Eyewear, Inc. v. Marchon Eyewear, Inc.*¹⁰¹ for the proposition that the terms can encompass capability. But *Aspex* is unavailing. The Federal Circuit discussed only “adapted to” and found only that the term “can also be used in a broader sense to mean ‘capable of’ or ‘suitable for.’”¹⁰² The court in fact noted that “[i]n common parlance, the phrase ‘adapted to’ is frequently

¹⁰⁰ See Docket Nos. 322, 620.

¹⁰¹ 672 F.3d 1335 (Fed. Cir. 2012).

¹⁰² See *id.* at 1349.

used to mean ‘made to,’ ‘designed to,’ or ‘configured to.’”¹⁰³ This statement cuts strongly against Brocade’s argument because the court found not only that “adapted to” commonly is defined in a narrower sense, but the court also explicitly noted that “configured to” reflects that narrower definition. And the court ultimately determined for a claim with language not very different from claim 24 in the ‘009 Patent that the narrow definition was more appropriate.¹⁰⁴

Brocade’s attempt to stretch the meaning of “configured to” and “adapted to” is understandable. The Federal Circuit instructs that for apparatus claims “[u]nless the claim language only requires the capacity to perform a particular claim element, . . . it is not enough to simply show that a product is capable of infringement; the patent owner must show evidence of specific instances of direct infringement.”¹⁰⁵ But the court also advises, on a more basic level, that “the language of the claims, as well as the nature of the accused product, dictates whether an infringement has occurred.”¹⁰⁶ Thus, although the terms “configured to” and “adapted to” are relevant to determining whether the A10’s product infringed, the court must consider the terms alongside the product itself to ascertain how infringement should be determined.

Here, the ‘500 Patent and the ‘009 Patent both teach software that improves the performance of GSLB. The ‘009 Patent instructs a system that orders IP addresses based on performance metrics,¹⁰⁷ and the ‘500 Patent instructs ordering the IP addresses based on the round-

¹⁰³ *See id.*

¹⁰⁴ *See id.*

¹⁰⁵ *Fujitsu Ltd. v. Netgear Inc.*, 620 F.3d 1321, 1329 (Fed. Cir. 2010).

¹⁰⁶ *Fantasy Sports Prop., Inc. v. Sportsline.com, Inc.*, 287 F.3d 1108, 1118 (Fed. Cir. 2002).

¹⁰⁷ *See* Docket No. 776 Ex. AA.

1 trip time between the client machine and the host server.¹⁰⁸ The '195 Patent teaches a virtual
2 switch that provides route redundancy to Layer 2 networks.¹⁰⁹

3 At their foundation, these patents each teach software to control the function of the
4 hardware routers comprising the AX product. But the physicality of the router does not change the
5 analysis. As the Federal Circuit pointed out in *Fantasy Sports Properties, Inc. v. Sportsline.com,*
6 *Inc.* and reaffirmed in *Finjan, Inc. v. Secure Computing Corp.*,¹¹⁰ in an apparatus claim involving
7 software, the infringement occurs because the software includes the patented feature: “although a
8 user must activate the functions programmed into a piece of software by selecting those options,
9 the user is only activating means that are already present in the underlying software.”¹¹¹ Thus, the
10 user’s later choice about whether to use the infringing feature or not is irrelevant. Here, Brocade’s
11 patents describe software that can perform certain functions. It alleged A10’s software also could
12 perform those same functions. If Brocade was right about that overlap, A10 infringed. The
13 question for the jury, therefore, was whether there was overlap, not whether a user opted to use the
14 feature.
15

16 A10 relies on *Fujitsu Ltd. v. Netgear, Inc.* to suggest that Brocade had to show the user
17 activated the features. But *Fujitsu* involved a method claim; by logic and as dictated by case law, a
18 method claim can only be infringed if the user performed the entire method.¹¹² Brocade’s patents
19 describe apparatus claims,¹¹³ and so infringement exists if the apparatuses are the same, not
20 whether users employ them in the same way.
21

22
23 ¹⁰⁸ See *id.* Ex. I.

24 ¹⁰⁹ See *id.* Ex. M.

25 ¹¹⁰ 626 F.3d 1197, 1205 (Fed. Cir. 2010).

26 ¹¹¹ *Fantasy Sports*, 287 F.3d at 1118; *Finjan*, 626 F.3d at 1205.

27 ¹¹² See *Fujitsu*, 620 F.3d at 1326.

28 ¹¹³ See Docket No. 776 Exs. I, M, AA.

b. Substantial Evidence of Infringement

Having determined that Brocade's obligation extended only to show that the features of the AX products infringed on the '500 Patent, the '009 Patent, or the '196 Patent, the court turns now to whether substantial evidence supported the jury's determination that the A10 directly infringed the patents.

Brocade produced experts who testified as to features in the AX product that overlapped with Brocade's patents. Dr. Izhak Rubin ("Rubin") relied on A10's configuration manual for the AX product to testify that the product had HA features and route redundancy matching claim 1 in the '195 Patent.¹¹⁴ Based on A10's manual, Rubin concluded that users could combine the AX routers to act as a virtual switch as the '195 Patent described.¹¹⁵ From his testimony and the configuration manual, the jury had substantial evidence from which to conclude that A10 created the AX product with features that infringed on Brocade's '195 apparatus claim.

For the '500 Patent, Brocade produced Azer Bestavros ("Bestavros") who testified that the AX product configuration manual revealed that the AX product included a feature allowing it to save round-trip time data from messages exchanged between the client user and the server.¹¹⁶ Bestavros, who had studied the AX product's source code, confirmed that the product could perform the features reflected in the manual.¹¹⁷ He also related how the configuration manual described that the AX product orders the IP address results based on the round-trip time as described in the second element of claim 25 of the '500 Patent and the source code for the AX product allowed performance of the reorder feature.¹¹⁸

¹¹⁴ See Docket No. 696 at 1357:4-11.

¹¹⁵ See *id.* at 1543:14 – 1544:11.

¹¹⁶ See Docket No. 693 at 829:10-16.

¹¹⁷ See *id.* at 829:17-20.

¹¹⁸ See *id.* at 831:2-9; 833:9 – 835:5.

Bestavros also testified that the AX product had features protected by the '009 Patent.¹¹⁹ He explained that the configuration guide highlighted that the AX product could perform the ordering and re-ordering based on multiple metrics as determined by the client user, which claim 13 of the '009 Patent instructs.¹²⁰ He also pointed to descriptions in the configuration guide that illustrate that the AX product orders specific metrics – round-trip time, session capacity, flashback speed, geographical location, and previous selections – in the same way as claim 24 describes.¹²¹ As Bestavros explained, the AX product specifically uses geographic location and passive round-trip time.¹²² He further described how the three other metrics it uses – fraction of users, health check responses, and how much load was assigned previously to sites – falls within the limitations of session capacity, flashback speed, and previous selections, respectively.¹²³ Bestavros confirmed that the source code matched the features the configuration guide described.¹²⁴

From this evidence, the jury reasonably could conclude that A10's AX product contained infringing features such that it infringed Brocade's apparatus patents. A10's JMOL on the jury's patent infringement finding is DENIED.

b. Damages

i. The Verdict

The court turns now to A10's challenge of the jury's patent damages award. Although A10 disputes that substantial evidence supports the damages finding, the parties disagree on a more

¹¹⁹ See *id.* at 856:1 – 872:18

¹²⁰ See *id.* at 857:20-22; 858:2-8; 859:10-17.

¹²¹ See *id.* at 869:11 – 871:11.

¹²² See *id.* at 869:11-13; 870:18-21.

¹²³ See *id.* at 869:22- 870:6; 870:10-17; 871:2-11.

¹²⁴ See *id.* at 860:13 – 861:21; 871:15-17.

fundamental issue: what amount the jury actually awarded. Their dispute arises from the jury's responses to the verdict form, which the court reproduces here¹²⁵:

If you have found any of the foregoing claims infringed, what damages do you find Brocade has proven it is more probable than not it has suffered as a result of that infringement?

1. Lost Profits: \$ 49,397,904
2. Reasonable Royalty
 - a. rate: 4%
 - b. total royalty damages: \$ 1,975,916
3. Total Damages: \$ 1,975,916

Brocade contends that the jury intended to award it both \$49,397,904 in lost profits and \$1,975,916 in reasonable royalties for a total award of \$51,373,820. According to Brocade, the jury properly made findings on lost profits and royalty damages; the final line is superfluous and the court should ignore the jury's entry there.

In contrast, A10 asserts that the jury intended to award only \$1,975,916 in total damages as evidenced by the jury's entry on the final line. To support its position, A10 highlights that the \$49,397,904 entry on the "lost profits" line matches exactly Brocade's expert's reasonably royalty base determination.¹²⁶ A10 posits that the jury did not intend to award \$49,397,904 in lost profits but rather entered on the "lost profits" line its reasonably royalty base finding, applied its reasonable royalty rate finding of 4% and arrived at \$1,975,916 as a royalty award. A10 argues that by entering \$1,975,916 on the total damages line, the jury intended to award only royalty damages.

¹²⁵ See Docket No. 771.

¹²⁶ See Docket No. 776 Ex. N.

Both parties cite case law instructing the court to presume the jury followed its instructions and to attempt to reconcile conflicting findings such as this¹²⁷ while not speculating about what the jury intended.¹²⁸ And yet, each party basically asks the court to ignore at least one of the jury's findings. Brocade would have the court ignore the jury's entry on the "Total Damages" line – and presume that the jury could not add – while A10 seeks the court to change the "Lost Profits" line to "Reasonable Royalty Base" – and presume that the jury could not read. The court first considers whether substantial evidence supports any of the jury's entries and then determines whether the conflicting entries require JMOL or a new trial.

b. Royalty Award

A10 challenges the sufficiency of the evidence supporting the jury's award of royalty damages. Plaintiffs who prove infringement are entitled to damages resulting from the infringement, "but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court."¹²⁹ The most common – though by no means the only – way that plaintiffs show a reasonable royalty is to prove a royalty base and a royalty rate.¹³⁰ The royalty base "represents the revenue generated by the infringement" and the royalty rate "represents the percentage of revenue owed to the patentee."¹³¹ The product of those two figures results in a reasonable royalty that can be applied to the duration of the defendants'

¹²⁷ See *Richardson v. Marsh*, 481 U.S. 200, 211 (1987); *Gallcik v. Balt. & Ohio R.R. Co.*, 372 U.S. 108, 119 (1963).

¹²⁸ See *Gander v. FMC Corp.*, 892 F.2d 1373 (8th Cir. 1990).

¹²⁹ 35 U.S.C. § 284.

¹³⁰ See *Lucent Tech., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1324 (Fed. Cir. 2009).

¹³¹ See *Whitserve, LLC v. Computer Packages, Inc.* 694 F.3d 10, 27 (Fed. Cir. 2012).

1 infringement.¹³² Brocade used this method to support its royalty damages request,¹³³ and A10 does
 2 not dispute that this method is appropriate to determine a royalty award.

3 Plaintiffs may only collect damages from infringement of their patents and not from other
 4 features of the infringing product, and so the Federal Circuit requires that plaintiffs identify the
 5 "smallest saleable unit" in which their invention may be found to calculate the royalty base.¹³⁴
 6 When the infringing feature drives consumer demand for the product, however, plaintiffs may rely
 7 on the entire market value rule, an exception to the requirement to determine the smallest saleable
 8 unit.¹³⁵ To employ the entire market value rule, plaintiffs first must show that the infringing
 9 feature is the primary reason that consumers buy the product; the necessity of the infringing feature
 10 to the product is insufficient.¹³⁶ If the plaintiffs meet this threshold, they may rely on the revenues
 11 the defendants received for the entire product to establish the royalty base.¹³⁷

12
 13 Brocade argues that the AX product and its competing ServerIron products are the smallest
 14 saleable unit for the infringing software patents. But the AX product and the ServerIron products
 15 are not composed entirely of the patented features.¹³⁸ The products in fact have many components,
 16 including GSLB capability for which Brocade does not own the patents.¹³⁹ In light of these other
 17 components, Brocade had to show that its patented features drove consumer demand for A10's
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 21 ¹³² See *id.*

22 ¹³³ See Docket No. 769.

23 ¹³⁴ See *LaserDynamics, Inc. v. Quanta Computer, Inc.*, 694 F.3d 51, 66-67 (Fed. Cir. 2012).

24 ¹³⁵ See *id.* at 67.

25 ¹³⁶ See *id.*

26 ¹³⁷ See *id.*

27 ¹³⁸ See Docket No. 763 at 3075:7-11.

28 ¹³⁹ See Docket No. 758 at 2458:11-17.

product before it could use all of the profits A10 earned from the sale of the AX product as the royalty base.

Brocade, however, did not provide substantial evidence that the round-trip-time ordering feature of the '009 Patent, the ordering features of the '500 Patent, or the Layer 2 route redundancy of the '195 Patent drove consumer demand for A10's products. Brocade cites to Malackowski's testimony to support its argument that its patented features drove demand for A10's products.¹⁴⁰ Malackowski's testimony highlights that the features were important, and even that A10 could not have sold the AX product without the features.¹⁴¹ But necessity is not enough.¹⁴² Brocade presented no evidence, such as consumer surveys or even customer testimony, that the patented features were the primary reason consumers bought the AX product. Malackowski did not testify that the patented features drove demand for the entire product. He in fact suggested the opposite. While discussing emails among A10 salespersons indicating that the GSLB and HA features were critical to avoid losing sales and that "those are the aspects that are specifically being demanded by customers," he noted that "the A10 marketing documents don't reference a patent number." Instead, "[t]hey talk about the feature generally."¹⁴³ In light of A10's evidence that its customers purchased its products for other features,¹⁴⁴ no reasonable jury could conclude that Brocade met its burden to show that its patented features drove consumer demand for A10's products.

Brocade argues that even if it failed to produce sufficient evidence that the patented features drove demand, Malackowski adjusted the royalty rate to apportion the amount of revenue Brocade

¹⁴⁰ See Docket No. 758 at 2366:17 – 2373:11.

¹⁴¹ See *id.* at 2457:20-24; 2460:16-23.

¹⁴² See *LaserDynamics, Inc.*, 694 F.3d at 68 ("It is not enough to merely show that the [patented feature] is viewed as valuable, important, or even essential to the use of the [product].").

¹⁴³ See Docket No. 758 at 2358:12-23.

¹⁴⁴ See Docket No. 763 at 3074:11-19; 3075:7-11.

1 should receive between the patented and unpatented features of A10's products. But the Federal
2 Circuit has rejected Brocade's methodology.¹⁴⁵ Absent evidence that the patented feature drives
3 demand, Brocade should not have used the entire market value rule to establish its royalty base.

4 Because it failed to show that its patented innovations were the primary reason for A10's
5 sales, Brocade could not rely on the entire market value rule and could not use A10's entire profits
6 from the AX product as the royalty base.¹⁴⁶ In light of the Federal Circuit's guidance that jury's
7 should not be presented with entire revenues or profits absent sufficient proof that the entire market
8 value rule is appropriate,¹⁴⁷ the court must vacate the jury's royalty damages award. A10 is entitled
9 to a new trial on the royalty damages.
10

11 Because the court has determined that a new trial for damages is necessary, it does not
12 reach A10's other arguments regarding the reasonable royalty rate.

13 **c. Lost Profits**

14 As noted above, A10 disputes whether the jury awarded Brocade lost profits in light of the
15 entries on the verdict form. Brocade responds that the \$49,397,904 entry on the "lost profits" line
16 reflects a lost profits award, despite the number's striking similarity to the number Brocade's
17 expert presented as a royalty base.¹⁴⁸ The court notes its skepticism that the similarity between the
18 two numbers is merely coincidental but first considers whether substantial evidence supports any
19 lost profits verdict.
20

21 To determine lost profits, Brocade had to produce substantial evidence showing: (1) that it
22 "would have made the sale but for the infringement, i.e., causation existed" and (2) "proper
23

24 ¹⁴⁵ See *LaserDynamics, Inc.*, 694 F.3d at 67 ("Importantly, the requirement to prove that the
25 patented feature drives demand for the entire product may not be avoided by the use of a very small
royalty rate.").

26 ¹⁴⁶ See *id.*

27 ¹⁴⁷ See *id.*; *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1320 (Fed. Cir. 2011).

28 ¹⁴⁸ See Docket No. 776 Ex. N.

evidence for the computation of the loss of profits.”¹⁴⁹ “Evidence that shows a reasonable probability that the patent owner would have made the infringing sales made by the infringer will suffice.”¹⁵⁰ And so Brocade was not obligated to “prove causation as an absolute certainty.”¹⁵¹

The four-part *Panduit* test provides a common, but not exclusive, method for showing causation.¹⁵² Under the *Panduit* test, Brocade had to prove: (1) “demand for the patented product”; (2) “absence of acceptable noninfringing substitutes”; (3) “manufacturing and marketing capability to exploit the demand”; and (4) “the amount of the profit [it] would have made.”¹⁵³

A10 argues that under the *Panduit* factors, Brocade had to prove consumer demand for the patented feature, not the accused product. But as the Federal Circuit explained in *DePuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.*,¹⁵⁴ A10’s argument conflates the first two *Panduit* factors, demand and the lack of noninfringing alternatives.¹⁵⁵ Having to prove that the patented feature drove demand is required only when a plaintiff pursues an entire-market-value theory in the lost profits inquiry.¹⁵⁶

Although A10’s argument improperly interprets the *Panduit* test, to the extent Brocade sought damages under an entire-market-value-rule theory, A10’s position nevertheless has merit. At trial, Brocade produced evidence suggesting that the market consisted only of A10 and

¹⁴⁹ *Standard Havens Products, Inc. v. Gencor Indus., Inc.*, 953 F.2d 1360, 1372 (Fed. Cir. 1991).

¹⁵⁰ *Id.*

¹⁵¹ *Id.*

¹⁵² *See id.* at 1372-73; *Panduit Corp. v. Stahl Bros. Fibre Works*, 575 F.2d 1152, 1156 (6th Cir. 1978).

¹⁵³ *Standard Havens*, 953 F.2d at 1373; *Panduit Corp.*, 575 F.2d at 1156.

¹⁵⁴ 567 F.3d 1314 (Fed. Cir. 2009).

¹⁵⁵ *See id.* at 1330.

¹⁵⁶ *See id.* at 1330-31 (distinguishing previous decisions requiring a showing of demand for the patented feature in the lost profits context as employing the entire market value rule rather than the *Panduit* factors).

1 Brocade,¹⁵⁷ a position it maintains in its opposition to this motion. As the court already explained,
 2 Brocade failed to produce substantial evidence that the infringing features drove consumer demand
 3 for A10's products. Brocade's pursuit of lost-profit damages under an entire-market-value theory
 4 likewise must fail.

5 Returning to the *Panduit* factor theory of damages, Brocade responds that it needed only to
 6 show demand for the infringing product, which is an accurate interpretation of the test.¹⁵⁸ But
 7 Brocade then asserts that under the "absence of noninfringing alternatives" factor, its evidence that
 8 A10 could not have sold the products without GSLB and HA was sufficient. Brocade does not
 9 own the patents to the GSLB and HA; it owns patents that improve upon those features.¹⁵⁹
 10 Brocade's obligation was to show that A10 had no option but to include the infringing modifications
 11 of the GSLB and the HA - not just that A10 had to include GSLB and HA.

12 Brocade points to testimony by Ivy Hsu ("Hsu"), one of the named inventors of the '500
 13 Patent and the '009 Patent, that a version of the GSLB and HA versions without the patented
 14 features would have been commercially unsuccessful. But Hsu's testimony states only that
 15 Brocade believed the GSLB feature was "very important" and that the company "continue[s] to get
 16 the requests from customers that they like the deployment and they have additional ideas,
 17 additional enhancements that they're asking [Brocade] to work on."¹⁶⁰ She indicated that the
 18 technology in the '500 Patent was "successful."¹⁶¹ In her testimony about the HA features, Hsu
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 24 ¹⁵⁷ See *DePuy Spine*, 567 F.3d at 1331.

25 ¹⁵⁸ See *id.*

26 ¹⁵⁹ See Docket No. 768 at 2458:11-19; 2460:16-23; Docket No. 682 at 396:24 – 397:12.

27 ¹⁶⁰ See Docket No. 682 at 385:17-22.

28 ¹⁶¹ See *id.* at 387:23-25.

1 indicated only that Brocade had no plans to discontinue using the patented feature.¹⁶² She did not
 2 testify that without the patented features the product would not have been successful. Thus,
 3 although Hsu's testimony could support a finding that noninfringing alternatives were unavailable,
 4 her testimony alone does not provide substantial evidence for this element.

5 Brocade also produced Bestavros who opined that without the patented features, "it's not
 6 the same product and it probably would not be as attractive to customers."¹⁶³ He explained that the
 7 '500 Patent was very strong and that he could not see a way to design around the patented features
 8 but still have the same type of product.¹⁶⁴ Rubin likewise testified that he did not know of any
 9 methods to design around the '195 Patent.¹⁶⁵ Combined with Hsu's testimony of the commercial
 10 success of the patented features for the GSLB and HA platforms, Brocade's experts' testimony
 11 provides substantial evidence from which the jury could determine that A10 had no noninfringing
 12 alternative to make the sales it generated with the infringing features.

13 **d. Jury's Verdicts**

14 Although Brocade produced sufficient evidence such that A10 is not entitled to JMOL on
 15 the lost profits issue, the jury's response to the verdict form raises significant questions about
 16 whether the jury in fact awarded Brocade lost profits damages. The jury's entry on the "Lost
 17 Profits Damages" line exactly matches Malackowski's royalty base estimate, and the jury's entry on
 18 the "Royalty Damages" line is 4% of the "Lost Profits Damages."¹⁶⁶ And the jury entered only
 19 that 4% number on the "Total Damages" line.¹⁶⁷

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 23 ¹⁶² See *id.* at 401:10-12.

24 ¹⁶³ See Docket No. 693 at 845:1-2.

25 ¹⁶⁴ See *id.* at 844:12-15.

26 ¹⁶⁵ See Docket No. 708 at 1461:24 – 1462:1.

27 ¹⁶⁶ Compare Docket No. 771 with Docket No. 776 Ex. N.

28 ¹⁶⁷ See Docket No. 771.

“Where there is a view of the case that makes the jury’s answers to special interrogatories consistent, they must be resolved that way.”¹⁶⁸ Thus, the court has a “duty to reconcile the jury’s special verdict responses on any reasonable theory consistent with the evidence.”¹⁶⁹ A verdict “clearly not supported by the evidence or only based on speculation or guesswork” properly may be vacated.¹⁷⁰

The most reasonable theory to the court is that the jury mistakenly entered the royalty base on the “Lost Profits” line, calculated the royalty based on its finding of a 4% rate, and indicated on both the “Royalty Damages” and the “Total Damages” lines the product of its calculations. If construed that way, the damages must be vacated because as the court described above Brocade failed to provide substantial evidence to support its entire-market-value theory.

Even if the jury meant to enter a number matching the royalty base as lost profit damages on the “Lost Profits” line, it failed to add that amount to the “Total Damages” line. Brocade offers little evidence suggesting that this lost profits award would be more than “speculation or guesswork” by the jury. The number the jury used arose only in the context of a royalty base and never in Malackowski’s lost profits testimony or evidence. As such, if the jury awarded lost profits in that amount, the jury must have pulled the number arbitrarily from the many numbers provided to it.

As a final point on this issue, the court highlights that it cannot construe a theory supported by the evidence that would allow Brocade to collect a lost profits award when the jury failed to address that amount in its “Total Damages” entry. Brocade suggests that the jury allocated damages and therefore the court is obliged to construe the verdict as awarding both lost profits and

¹⁶⁸ *Atl. & Gulf Stevedores, Inc. v. Ellerman Lines, Ltd.*, 369 U.S. 355, 364 (1962); *see also Guy v. San Diego*, 608 F.3d 582, 586 (9th Cir. 2010).

¹⁶⁹ *Guy*, 608 F.3d at 586 (internal citations and quotations omitted).

¹⁷⁰ *See id.* at 588.

royalty damages.¹⁷¹ But the case Brocade relies on, *Heriges v. Wilson County*, addressed a situation where the jury awarded damages under two different statutes and the government sought to make the plaintiff choose only one recovery.¹⁷² Here, the jury entered only the smaller number on the “Total Damages” line, and so the court cannot conclude that the jury intended to award lost profits and thereby allocated the damages. The court, therefore, is left with having to pick one of two lines to arbitrarily excise from the jury verdict: the “Total Damages” line or the “Lost Profits” line.

Because the court can only speculate on the jury's conflicting entries, and in light of the potential for injustice and the problematic reasonable royalty evidence, a new trial on patent damages is warranted.¹⁷³

C. Trade Secret Claims

A10 challenges the jury verdict finding it misappropriated four of Brocade's trade secrets on several grounds: (1) Brocade failed to prove the trade secrets were not publicly known; (2) Brocade failed to prove that A10 did not independently derive the content of the trade secrets; (3) Brocade failed to prove that A10 misappropriated the trade secrets in light of the jury's exoneration of all of the individual defendants; (4) Brocade failed to prove A10 practiced its trade secrets; and (5) the jury should have found Brocade's claims were barred by the statute of limitations. The court first explains California's trade secret law and then addresses A10's challenges.

Under California's adoption of the Uniform Trade Secret Act (“CUTSA”), information from which a person “[d]erives independent economic value . . . from not being generally known to the public” and “is the subject of efforts that are reasonable under the circumstances to maintain its

¹⁷¹ See *Hergies v. Wilson County, Tenn.*, Case No. 3:09-cv-0362, 2010 WL 4116719, at *9 (M.D. Tenn. Oct. 19, 2010).

¹⁷² See *id.*

¹⁷³ See Fed. R. Civ. P. 59; *Guy*, 608 F.3d at 587.

1 secrecy” is entitled to trade secret protection.¹⁷⁴ “A violation of the [CUTSA] occurs when an
 2 individual misappropriates” the trade secret.”¹⁷⁵ A cause of action under the CUTSA, therefore,
 3 required Brocade to satisfy two steps: (1) a threshold showing that the information is a trade secret
 4 as defined by the CUTSA; and (2) a showing that A10 misappropriated the trade secret.¹⁷⁶ The
 5 CUTSA defines “misappropriation” in part as:

6 Disclosure or use of a trade secret of another without express or implied consent by a
 7 person who:

8 (A) Used improper means to acquire knowledge of the trade secret; or

9 (B) At the time of the disclosure or use, knew or had reason to know that his or her
 10 knowledge of the trade secret was:

11 (i) Derived from or through a person who had utilized improper means to acquire it;

12 (ii) Acquired under circumstances giving rise to a duty to maintain its secrecy or
 limit its use; or

13 (iii) Derived from or through a person who owed a duty to the person seeking relief
 to maintain its secrecy.¹⁷⁷

14 The statute of limitations for a trade secret claim is three years and begins to run when plaintiffs
 15 knew or reasonably should have expected that their secrets were misappropriated.¹⁷⁸

16 **1. Trade Secret Designation**

17 A10 contends that Brocade failed to produce substantial evidence that its trade practices
 18 were not publicly known. “Public disclosure is fatal to the existence of a trade secret,” and so
 19 “information that is public knowledge or that is generally known in an industry cannot be a trade
 20 secret.”¹⁷⁹ “Information is protectable as a trade secret where the owner has made ‘reasonable
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 24 ¹⁷⁴ Cal. Civ. Code § 3426.1(d)(1); *see also Reeves v. Hanlon*, 33 Cal. 4th 1140, 1155 (2004).

25 ¹⁷⁵ *Reeves*, 33 Cal. 4th at 1155.

26 ¹⁷⁶ *See id.*

27 ¹⁷⁷ Cal. Civ. Code § 3426.1(b)(2).

28 ¹⁷⁸ *See id.* § 3426.6.

efforts under the circumstances to maintain its secrecy."¹⁸⁰ "Reasonable efforts may include advising employees of the existence of a trade secret, limiting access to the trade secrets on a need to know basis, requiring employees to sign confidentiality agreements, and keeping secret documents sequestered under lock and key."¹⁸¹

At trial, Brocade produced evidence that it took steps to ensure its information remains confidential. Kancherla testified that Brocade mandated that source code and technical documents be marked confidential and that Brocade restricted access to its trade secrets by using locks, building security, and passwords to prevent public disclosure.¹⁸² He explained that Brocade did not disclose the source code that is the subject of its trade secrets to customers or anyone else outside the company, and he described how the company uses a tracking system to identify who has access to the source code.¹⁸³

Brocade also produced Rubin to testify as to the success of Brocade's steps at keeping the trade secrets confidential. Rubin testified that he had 48 years of experience in the computer industry in various roles as an instructor, consultant, and editor of trade journals and opined that he had not discovered Brocade's secrets until working on this case.¹⁸⁴

A10 challenges Rubin's testimony on the grounds that he offered only conclusory assertions.¹⁸⁵ Relying on *Atmel Corp. v. Info. Storage Devices, Inc.*,¹⁸⁶ A10 asserts that Rubin

¹⁷⁹ *FormFactor, Inc. v. Micro-Probe, Inc.*, --- F. Supp. 2d --- (N.D. Cal. 2012).

¹⁸⁰ *Id.* (quoting Cal. Civ. Code § 3426.1).

¹⁸¹ *Id.*

¹⁸² See Docket No. 690 at 678:2 – 681:25.

¹⁸³ See *id.* at 681:13-25; 679:21-24.

¹⁸⁴ See Docket No. 708 at 1457:8 – 1458:7.

¹⁸⁵ See *Sitrick v. Dreamworks, LLC*, 516 F.3d 993, 1001 (Fed. Cir. 2008).

¹⁸⁶ 189 F.R.D. 410 (N.D. Cal. 1999).

1 offered an opinion based on solely “the best of [his] knowledge” about whether Brocade's trade
 2 secrets were generally known and therefore his testimony alone cannot support Brocade's burden to
 3 show the trade secrets were confidential.¹⁸⁷

4 A10's argument fails for at least two reasons. First, in *Atmel*, the court excluded testimony
 5 from an expert who had quarantined himself from any sources of information that might contain
 6 the trade secrets at issue as a litigation tactic essentially to force the opposing party to identify
 7 where the trade secrets might be public knowledge and impermissibly to shift the burden to the
 8 defendants.¹⁸⁸ A10 has not pointed to any similar gamesmanship here. Rubin has extensive
 9 experience in the industry and testified that based on his experience and access to relevant
 10 literature where the trade secrets might have appeared if they were publicly known, his
 11 unawareness of the trade secrets reflected that Brocade successfully had maintained
 12 confidentiality.¹⁸⁹

14 Second, A10 ignores Brocade's evidence of steps it took to ensure its trade secrets remained
 15 confidential. As Kancherla testified, Brocade took several steps to protect the secrecy of its
 16 information.¹⁹⁰ Thus, Rubin's testimony was not the only evidence of the confidentiality of
 17 Brocade's trade secrets. Evidence that Brocade took steps to keep its information secret combined
 18 with Rubin's opinion based on his background in the industry that Brocade was successful in
 19 keeping the information secret was substantial evidence from which the jury reasonably could
 20 determine that the trade secrets were not publicly known.

24 ¹⁸⁷ See *id.* at 418.

25 ¹⁸⁸ See *id.* at 416.

26 ¹⁸⁹ See Docket No. 708 at 1458:8-17.

27 ¹⁹⁰ See Docket No. 690 at 678:2 – 681:25.

2. Misappropriation

A10's second, third, and fourth arguments challenge the sufficiency of Brocade's proof that A10 misappropriated the trade secrets. The court considers the three arguments together.

A10 asserts that to prevail on its trade secret claims, Brocade had an obligation to prove that A10 did not independently derive the content of the trade secrets. Brocade asserts that the obligation was A10's to show that it in fact developed the trade secrets independently. A10's assertion is correct. Although A10 had the burden to produce evidence of its independent derivation, the burden of persuasion that A10 in fact misappropriated the trade secrets and did not, for example, develop the ideas on its own was Brocade's burden throughout.¹⁹¹ And so, to the extent that Brocade argues A10 had the burden to prove independent derivation, Brocade errs.

Having established that Brocade retained the burden of persuasion regarding misappropriation, the court considers whether Brocade presented substantial evidence that A10 in fact wrongfully acquired the trade secrets. "The plaintiff's proof that another party used plaintiff's trade secret, to which that party gained access (properly, for a limited purpose, or otherwise), and that party's identical or similar product incorporates the same design, is a prima facie showing that the party did not independently derive or reverse engineer the product."¹⁹²

Brocade asserts that it produced sufficient evidence to establish a prima facie case for each of the trade secrets. A10 challenges the jury's implicit finding that A10 used Brocade's trade secrets and further argues that the jury's finding of no liability for any of the individual defendants precludes a finding of liability against A10. The court considers each challenge in turn.

¹⁹¹ See *Sargent Fletcher, Inc. v. Able Corp.*, 110 Cal. App. 4th 1658, 1669 (2003); see also *Rita Med. Sys., Inc. v. Resect Med., Inc.*, Case No. C 05-03291 WHA, 2007 WL 161049, at *8 (N.D. Cal. Jan. 17, 2007).

¹⁹² See *Sargent Fletcher*, 110 Cal. App. 4th at 1669.

a. Use

A10 argues that Brocade failed to provide substantial evidence showing that A10 used any of Brocade's four trade secrets. Brocade responds that between its witnesses' testimony and admissions by A10's witnesses, Brocade provided legally sufficient evidence that A10 employed Brocade's trade secrets. The court considers the evidence supporting A10's use of the four trade secrets.

TS 5 involves [REDACTED]¹⁹³ A10 argues [REDACTED]

[REDACTED] Brocade points to

R [REDACTED]

[REDACTED]

[REDACTED]¹⁹⁴ [REDACTED]

[REDACTED]

[REDACTED]¹⁹⁵

A10 argues that [REDACTED]

[REDACTED]¹⁹⁶ A10 also [REDACTED]

[REDACTED]¹⁹⁷ A10's evidence conflicts with Brocade's but resolving that conflict was a determination for the jury to make. Brocade provided substantial evidence from which the jury could determine that A10 used TS 5.

¹⁹³ See Docket No. 708 at 1435:1-24.

¹⁹⁴ See *id.* at 1439:14 – 1442:10.

¹⁹⁵ See *id.* at 1442:11-17.

¹⁹⁶ See Docket No. 760 at 2744:2-22.

¹⁹⁷ See Docket No. 762 at 3186:22 – 3187:5.

TS 8

¹⁹⁸

A10 asserts

Brocade responds

¹⁹⁹

Brocade also points to

A

²⁰⁰

From this evidence, the jury reasonably could conclude that

A10's source code practiced TS 8.

TS 10 involves

²⁰¹

A10

argues

A10 contends that

Brocade responds that

²⁰²

Brocade contends

The court agrees. A10's argument

mirrors its argument regarding the "configured to" language in Brocade's

patents. For software apparatus patents, the infringement occurs when the software is written with

¹⁹⁸ See Docket No. 708 at 1449:17 – 1450:7.

¹⁹⁹ See *id.* at 1451:1-20; 1453:3-12.

²⁰⁰ See *id.* at 1328:5 – 1329:2; see Docket No. 690 at 671:2 – 672:7.

²⁰¹ See Docket No. 795; see also Docket No. 690 at 633:18-22.

²⁰² See Docket No. 708 at 1446:7-14; 1447:7 – 1449:6.

the configuration ability²⁰³; the court adopts the same reasoning here. Because the AX product included TS 10, A10 effectively used Brocade's trade secret.

TS 11 involves a [REDACTED]

[REDACTED]²⁰⁴ A10 contends that [REDACTED]

[REDACTED] Brocade responds [REDACTED]

[REDACTED]²⁰⁵ Brocade also points to A10's manuals about its product, which Rubin testified reveal that [REDACTED]

[REDACTED]²⁰⁶ Rubin confirmed that through his analysis of the AX product source code, the product acts in the manner that A10 described in its documents.²⁰⁷ From this evidence, the jury could conclude that A10's products practiced TS11.

Although A10 presented conflicting evidence, the jury was entitled to weigh both parties' evidence and determine that A10 used Brocade's trade secrets. Brocade produced legally sufficient evidence to support the jury's determination that A10 used the four trade secrets.

b. Jury's Different Verdicts for the Individual Defendants and A10

A10 argues that because the jury found no liability for the individual defendants, Brocade failed to establish that A10 misappropriated the trade secrets through unauthorized acquisition or use as dictated by California Civil Code Section 3426.1. A10 cites no case law supporting its interpretation of the jury's verdict. It exclusively relies on the premise that because the jury found

²⁰³ *Fantasy Sports Prop., Inc. v. Sportsline.com, Inc.*, 287 F.3d 1108, 1118 (Fed. Cir. 2002).

²⁰⁴ See Docket No. 795.

²⁰⁵ See Docket No. 708 at 1426:3 – 1427:11.

²⁰⁶ See *id.* at 1428:5 – 1433:15.

²⁰⁷ See *id.* at 1434:8-14.

no individual defendants liable, and its assertion that Brocade failed to provide any other evidence of unauthorized acquisition by any other parties, the jury could not find that A10 misappropriated the trade secrets.

But as the Ninth Circuit instructs, if a party fails to raise an objection regarding the sufficiency of the evidence for a split verdict before the jury is charged with returning a verdict, it waives the issue in a subsequent JMOL.²⁰⁸ A10 did not object that the evidence could not support a split verdict.²⁰⁹ A10 also did not propose jury instructions making liability for A10 contingent on finding liability for the individual defendants.²¹⁰ As such, “the jury was left with instructions that did not forbid, and at least implicitly authorized, the result that it returned.”²¹¹ The jury’s return of a general verdict that has “an inconsistency between conclusions as to liability on different claims” does not require vacating the judgment.²¹²

c. Statute of Limitations

A10 contends that the jury should have found that the statute of limitations bars Brocade's trade secret claims. Under California law, the statute of limitations for trade secret misappropriation is three years.²¹³ The statute begins to run when the plaintiff either receives direct knowledge of the misappropriation or has reason to suspect that the trade secrets were misappropriated.²¹⁴

²⁰⁸ See *Zhang v. Am. Gem Seafoods, Inc.*, 339 F.3d 1020, 1034 (9th Cir. 2003).

²⁰⁹ See Docket No. 731.

²¹⁰ See Docket No. 725.

²¹¹ See *Zhang*, 339 F.3d at 1034.

²¹² See *id.*

²¹³ See Cal. Civ. Code § 3426.6.

²¹⁴ See *id.*

The statute of limitations is an affirmative defense and so A10 had the burden to show by a preponderance of evidence that Brocade had notice or knowledge of the misappropriation before August 2007, the three-year cut off from the date Brocade filed this suit.²¹⁵ Here, A10 points to employees who left Foundry to join A10,²¹⁶ conversations between a Foundry executive and Chen, who founded A10,²¹⁷ and encounters and conversations between Foundry employees regarding A10's appearance at a trade show.²¹⁸ A10 asserts that these events reveal that Brocade (as Foundry) had notice of the misappropriation. Because all of the events predate August 2007,²¹⁹ A10 concludes that the statute of limitations bars the case. In other words, Brocade knew or had notice of trade secret misappropriation earlier in 2007 because of these encounters.

The jury had an opportunity to hear this evidence and ultimately rejected A10's contention that these encounters between Foundry's employees and A10's employees reflected that Brocade had notice before the statute of limitations cut off.²²⁰ The court's role is not to reweigh the evidence; that role is exclusively in the jury's purview.²²¹ A10's evidence is not so overwhelming to support vacating the verdict or to suggest that a new trial is required to prevent injustice. A10's JMOL motion for the statute of limitations defense is DENIED.

²¹⁵ See Fed. R. Civ. P. 8(c); *Payan v. Aramark Mgmt. Servs. Ltd.*, 495 F.3d 1119, 1122 (9th Cir. 2007).

²¹⁶ See Docket No. 760 at 2692:19 – 2693:2.

²¹⁷ See *id.* at 2690:2-23.

²¹⁸ See *id.* at 2889:2-11.

²¹⁹ See *id.* at 2689:3-6; 2692:16-18; 2887:4-6.

²²⁰ See Docket No. 771.

²²¹ See *Costa v. Desert Palace, Inc.*, 299 F.3d 838, 859 (9th Cir. 2002) (noting courts must not “substitute [their] view of the evidence for that of the jury”).

D. Intentional Interference with Contractual Relations

A10 and Chen challenge the jury's determination that they intentionally interfered with the contractual relation between Zhenwu He and Foundry. A10 asserts that Brocade failed to produce substantial evidence that He breached his agreement with Foundry or that A10 induced any breach that did occur. A10 also challenges the \$500,000 punitive damages awards that the jury assessed against Chen and A10. A10 contends that the punitive damages awards are unconstitutionally excessive especially in light of the de minimis award of actual damages for the interference. The court first explains California's cause of action for intentional interference with contractual relations and then considers each of A10's arguments in turn.

To establish a prima facie claim of intentional interference with contractual relations, plaintiffs must show: (1) “a valid contract between plaintiff and a third party”; (2) “defendant’s knowledge of this contract”; (3) “defendant’s intentional acts designed to induce a breach or disruption of the contractual relationship”; (4) “actual breach or disruption of the contractual relationship”; and (5) “resulting damage.”²²²

Here the jury found Chen and A10 intentionally interfered with He's employment contract with Foundry.²²³ As part of the contract, He could not “during the period of [his] employment by [Foundry] . . . without [Foundry’s] express written consent, engage in any employment or business activity other than for [Foundry].”²²⁴ The jury thus implicitly found He's work developing programs for A10 during his after-work hours were a breach of the employment contract and that

²²² *CRST Van Expedited, Inc. v. Werner Enterprises*, 479 F.3d 1099, 1105 (9th Cir. 2007).

²²³ See Docket No. 771.

²²⁴ See Trial Ex. 815.

Chen and A10 induced the breach. Although the jury found only nominal damages, it awarded \$500,000 in punitive damages against Chen and A10.²²⁵

1. Liability for Intentional Interference with Contractual Relations.

A10 asserts that Brocade "failed as a threshold matter to introduce legally sufficient evidence" of A10's or Chen's knowledge "about the specific terms" of He's contract or that He breached his contract with Foundry.²²⁶ A10 points to Foundry's Employee Handbook, which permitted employees to hold second jobs that did not present a "conflict of interest."²²⁷ A10 contends that the code He wrote for A10 was useless to Foundry because of the competitors' different program architectures.

Brocade responds that regardless of what the employee handbook may have stated, He's employment contract prohibited him from "engag[ing] in any employment or business activity other than for" Foundry absent Foundry's "express written consent."²²⁸

Brocade is right. He's contract prohibited him from engaging in employment outside of his work at Foundry without Foundry's express written consent.²²⁹ A10 does not dispute that He entered the contract with Foundry or that Foundry did not approve He's employment. Brocade produced evidence from He himself that he performed work for A10 from which the jury reasonably could conclude that He breached his contract with Foundry.²³⁰

A10 further asserts that He's testimony that he worked at A10 because he "wanted to learn new things" requires a finding that Chen did not intentionally induce him to violate his contract

²²⁵ See Docket No. 771.

²²⁶ See Docket No. 775.

²²⁷ See Docket No. 690 at 547:10 – 548:6.

²²⁸ See Trial Ex. 815.

²²⁹ See *id.*

²³⁰ See Docket No. 756 at 2180:16 – 2181:5.

1 with Foundry.²³¹ To support its argument, A10 classifies He as a “disinterested witness” whose
 2 testimony Brocade failed to rebut and therefore the testimony is entitled to greater weight. A10
 3 also points to the \$1 damage award²³² to argue that Brocade failed to produce sufficient evidence
 4 of damages, a required element.

5 Brocade produced email chains revealing Chen’s desire to have He do work for A10.²³³
 6 Testimony and evidence by Chen and He indicate that He’s skills were uncommon and that Chen
 7 was aware of He’s special skill set.²³⁴ Brocade also produced circumstantial evidence of Chen’s
 8 knowledge of the contents of He’s contract in light of Chen’s agreement to a similar contract when
 9 he worked for Foundry.²³⁵ He testified that he wanted Chen to put stock options in his wife’s name
 10 because he was not sure whether working for both companies was problematic.²³⁶ From this
 11 evidence, the jury reasonably could find that Chen induced He to breach his contract with Foundry.
 12

13 A10 suggests that Chen’s actions do not support a finding of malice, ill-will, or deception in
 14 his actions. Neither malice nor deception is an element of the intentional interference with
 15 contractual relations cause of action.²³⁷ Thus, Brocade was not obligated to produce evidence of
 16 either. Chen and He’s testimony, especially Chen’s conflicting statements in his deposition and his
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 19
 20 ²³¹ See *id.* at 2202:23 – 2203:3.

21 ²³² See Docket No. 771.

22 ²³³ See Trial Exs. 730, 717, 949.

23 ²³⁴ See Docket No. 711 at 2043:3-6.

24 ²³⁵ See *id.* at 2014:3-24; Trial Ex. 951.

25 ²³⁶ See Docket No. 756 at 2182:4 – 2183:5.

26 ²³⁷ See *Seaman’s Direct Buying Serv., Inc. v. Standard Oil Co.*, 36 Cal. 3d 752, 766-67 (1984)
 27 *overruled on other grounds by Freeman & Mills, Inc. v. Belcher Oil Co.*, 11 Cal. 4th 85 (1995)
 28 (noting defendant’s motives or justification are not elements of the cause action but instead are
 affirmative defenses); *see also Quelimane Co. v. Stewart Title Guaranty Co.*, 19 Cal. 4th 26, 55
 (1998) (noting intentional interference with contractual relations does not require independent
 wrongful behavior by the defendant).

trial testimony²³⁸ and He's statements about the stock options being placed in his wife's name,²³⁹ support a finding that the men engaged in subterfuge during the period that He worked for A10 in breach of his contract with Foundry. Such actions are circumstantial evidence that Chen and A10 knew that their actions would result in He's breach of his contract with Foundry. Because all that is required for an intentional interference with contractual relations cause of action is proof (1) that the defendant knew about the contract, (2) that his actions would result in interference with the contract underlying the claim, and (3) the interference in fact occurred,²⁴⁰ Brocade satisfied its obligation to produce substantial evidence from which the jury could determine that Chen and A10 intentionally interfered with He's contract.

As to the jury's nominal damages finding, A10 suggests that the \$1.00 award reveals that Brocade failed to produce sufficient evidence of damage from the interference - the final element of the cause of action. Although small in amount, a nominal damages award still reflects the jury's finding that all of the elements of the claim have been met to establish liability.²⁴¹ And under California law, nominal damages can support a punitive damages award and a finding of liability.²⁴²

2. Punitive Damages

A10 and Chen lastly challenge the jury's award of \$500,000 in punitive damages against Chen and A10 – in total a \$1 million award – for the finding of liability of intentional interference

²³⁸ See Docket No. 711 at 2059:3 – 2061:25.

²³⁹ See Docket No. 756 at 2182:4 – 2183:5.

²⁴⁰ See *Quelimane Co.*, 19 Cal. 4th at 55.

²⁴¹ See Restatement (Second) of Torts § 907 (“When a cause of action for a tort exists but no harm has been caused by the tort or the amount of harm is not significant or is not so established that compensatory damages can be given, judgment will be given for nominal damages, consisting of a trivial award against a wrongdoer who has caused no harm or insignificant harm.”).

²⁴² See *Sole Energy Co. v. Petrominerals Corp.*, 128 Cal. App. 4th 212, 238 (2005) (“An award of actual damages, even if nominal, is required to recover punitive damages.”).

1 with He's contract with Foundry. A10 and Chen argue that in light of the nominal damages award,
2 the punitive damage awards were unconstitutionally excessive and unsupported by the evidence.

3 Punitive damage awards act as civil penalties by which a jury can penalize defendants for
4 particularly egregious violations of civil codes.²⁴³ The Supreme Court has cautioned that rarely
5 will punitive damage awards that involve double-digit ratios from the compensatory damage
6 findings fall within the Constitution's due process protections.²⁴⁴ But as both the Supreme Court
7 and the Ninth Circuit have instructed, mere comparison of the two awards and the ratio between
8 them fails to account for the complicated role of punitive damages and the constitutional
9 restrictions on them.²⁴⁵

11 The Supreme Court instructs courts to consider three factors when assessing the
12 appropriateness of punitive damages awards: (1) the reprehensibility of the defendant's conduct;
13 (2) the ratio of the award to the harm inflicted on the plaintiff; and (3) the difference between the
14 award and the civil or criminal penalties in comparable cases.²⁴⁶ "Perhaps the most important
15 indicum of the reasonableness of a punitive damages award is the degree of reprehensibility of the
16 defendant's conduct."²⁴⁷ The Court advises considering whether "the harm caused was physical
17 as opposed to economic; the tortious conduct evinced an indifference to or a reckless disregard of
18 the health or safety of others; the target of the conduct had financial vulnerability; the conduct
19 involved repeated actions or was an isolated incident; and the harm was the result of intentional
20

22
23 ²⁴³ See *Kizer v. Cnty. of San Mateo*, 53 Cal. 3d 139, 323 (1991) ("When . . . the defendant's
24 conduct is outrageous, additional damages may be awarded to punish the defendant and to deter
25 such conduct in the future.");

26 ²⁴⁴ See *State Farm Mut. Auto. Ins. Co. v. Campbell*, 538 U.S. 408, 425 (2003).

27 ²⁴⁵ See *State Farm*, 538 U.S. at 424 (declining to establish bright-line ratio); *Mendez v. Cnty. of San*
28 *Bernardino*, 540 F.3d 1109, 1121 (9th Cir. 2008).

²⁴⁶ See *BMW of North America, Inc. v. Gore*, 517 U.S. 575, 580 (1996).

²⁴⁷ *Id.*

malice, trickery, or deceit, or mere accident.”²⁴⁸ “Reprehensibility falls along a scale with ‘acts and threats of violence at the top, followed by acts taken in reckless disregard for others’ health and safety, affirmative acts of trickery and deceit, and finally, acts of omission and mere negligence.’”²⁴⁹

A10 argues that Chen and A10’s actions regarding He exhibited only a low degree of reprehensibility. According to A10, the evidence revealed that He’s work for A10 was not valuable to Foundry based on the different program architectures and that He’s actions did not harm Foundry because his performance at Foundry was unaffected by his moonlighting at A10.²⁵⁰

Brocade argues that the evidence it presented supports the first *Gore* factor. It highlights that the evidence suggests Chen deliberately sought He with knowledge that He would violate his employment contract with Foundry if he performed the tasks Chen wanted²⁵¹ and points to the year-long relationship between He and Chen to support that the misconduct was ongoing.²⁵² Brocade emphasizes that Chen and He’s decision to put the stock options in He’s wife’s name²⁵³ and Chen’s conflicting testimony in his deposition and at trial²⁵⁴ reflect deceitful behavior that warrant the punitive damage award.

The court agrees with A10 that A10’s and Chen’s actions exhibit low reprehensibility. Although the evidence suggests deceit and trickery were part of the inducement of He to breach his

²⁴⁸ *State Farm*, 538 U.S. at 419.

²⁴⁹ *Mendez*, 540 F.3d at 1120 (quoting *Swinton v. Potomac Corp.*, 270 F.3d 794, 818 (9th Cir. 2001)).

²⁵⁰ See Docket No. 756 at 2172:9-13; 2201:20 – 2202:7.

²⁵¹ See Docket No. 711 at 2182:4 – 2183:5.

²⁵² See *id.* at 2050:3-17.

²⁵³ See Docket No. 756 at 2182:4 – 2183:5.

²⁵⁴ See Docket No. 711 at 2059:3 – 2061:25.

1 contract with Foundry and that the breach continued for a year, the harm here was purely economic
 2 and – as evidenced in part by the jury's compensatory damage award – only nominal. Brocade's
 3 argument that because of He's work A10 entered the market earlier with its product underscores
 4 that the harm here is economic and reflective of competitive actions between rivals. Brocade does
 5 not point to any evidence that Foundry was particularly financially vulnerable or that A10 or Chen
 6 exhibited reckless disregard for health or safety. The court does not condone A10's or Chen's
 7 actions regarding He, but it finds that on the spectrum of behaviors for which punitive damages
 8 appropriately should be awarded, their behavior falls on the less reprehensible end.
 9

10 As to the second factor, the disparity between the punitive damages and the actual harm
 11 suffered by Brocade, A10 and Chen point to the 1,000,000 to 1 ratio between the total punitive
 12 damages the jury awarded - \$500,000 against A10 and \$500,000 against Chen - and the actual
 13 damages the jury found Brocade suffered. A10 argues that the minimal harm Brocade suffered
 14 does not support such an extreme award.
 15

16 Brocade asserts that in situations where nominal damages are awarded, punitive damages
 17 will always seem excessive under the *Gore* and *State Farm* standards, and that as a result the Ninth
 18 Circuit has excepted nominal damages from the usual inquiry.²⁵⁵ Brocade points to *Mendez*, where
 19 the court condoned a 2,500 to 1 ratio of punitive damages to actual damages.²⁵⁶ But *Mendez*
 20 involved a violation of constitutional rights under 42 U.S.C. §1983 that was hard to translate into a
 21 numerical award.²⁵⁷ A violation of constitutional rights, even a minor one as the court determined
 22 in *Mendez*, is more reprehensible than a competitor's intentional interference with the contracts of
 23
 24
 25

26 ²⁵⁵ See *Mendez*, 540 F.3d at 1121.

27 ²⁵⁶ See *id.* at 1122-23.

28 ²⁵⁷ See *id.*

1 its rival's employees.²⁵⁸ And even in *Mendez*, the Ninth Circuit approved the district court's
 2 remittitur of the original award of \$250,000 in punitive damages against a \$1 nominal damages
 3 award down to \$5,000.²⁵⁹

4 The punitive damages awarded here are excessive in light of the harm the jury found and
 5 the low reprehensibility of A10's and Chen's behavior. The court does not find, however, that
 6 JMOL is the appropriate solution because Brocade produced substantial evidence that a punitive
 7 damage award is warranted. Only the amount of the punitive damages is problematic here.
 8 Because A10 did not request remittitur, the court does not engage in an analysis of what an
 9 appropriate award should be. The court instead finds that a new trial on the punitive damages for
 10 the intentional interference with contractual relations claim is appropriate to prevent A10 and Chen
 11 from suffering injustice from the excessive award. Because of this determination, the court does
 12 not address Chen's argument that Brocade failed to provide substantial evidence of his net worth.

13 IV. CONCLUSION

14 The court finds a new trial is warranted for the patent damage verdict and the intentional
 15 interference damage verdict. The court finds substantial evidence supports the jury's other
 16 verdicts.

17 **IT IS SO ORDERED.**

18 Dated: January 10, 2013

19 
 20 PAUL S. GREWAL
 21 United States Magistrate Judge
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 23
 24
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 26

27 ²⁵⁸ See *id.* at 1122 (noting the reprehensibility of constitutional violations).

28 ²⁵⁹ See *id.*